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TO RUEHC/SECSTATE WASHDC IMMEDIATE 4942  
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RHEHNSC/NSC WASHDC IMMEDIATE  
RUEATRS/DEPT OF TREASURY WASHDC IMMEDIATE  
RUEKJCS/JCS WASHDC IMMEDIATE  
RUEKJCS/JOINT STAFF WASHDC IMMEDIATE

S E C R E T SECTION 01 OF 02 JERUSALEM 000869

SIPDIS

NEA FOR FRONT OFFICE AND NEA/IPA; NSC FOR SHAPIRO/JUMAR;  
TREASURY FOR AHERN  
DEPT PLEASE PASS TO USAID FOR ANE/MEA: MCCLOUD/BORODIN  
JOINT STAFF FOR LTGEN SELVA

E.O. 12958: DECL: 05/27/19

TAGS: [ECON](#) [EAID](#) [EFIN](#) [KWBG](#) [PGOV](#) [IS](#)

SUBJECT: PA SET TO BORROW ITS WAY PAST ANOTHER PAYDAY

REF: JERUSALEM 754

Classified By: Acting Principal Officer Greg Marchese for reasons 1.4 (b) and (d)

11. (C) Summary: Palestinian Authority (PA) Ministry of Finance officials claim that a new round of borrowing from commercial banks will allow the PA to pay civil servant salaries in the first week of June. Other than the monthly transfer from Brussels, PA officials report only small amounts of budget support in May. Potential fees from a recent telecommunications deal will not arrive in time for the June payment. Banks in Gaza seem prepared to disburse salaries when paid, however, based on increased levels of cash in the vaults. End summary.

PA Goes Deeper Into Debt  
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12. (SBU) PA Ministry of Finance Director General Mazen Jadallah told donors on May 28 that the PA will be able to pay May salaries on time in the first week of June thanks to another round of borrowing. Jadallah said the PA had managed to secure an additional USD 60 million from commercial banks. When asked which banks the PA had tapped, Jadallah replied flatly: "All of them".

13. (S) The PA borrowed heavily from local banks in order to pay April salaries (reftel), and Palestine Monetary Authority (PMA) Governor al-Wazir estimated that the PA owes approximately USD 550m to the local banks, including bridge loans and lines of credit. In early May, al-Wazir permitted a relaxation of the PMA's restrictions on loan-to-deposit ratios, allowing smaller banks to be able to provide loans to the PA.

14. (C) Contacts at the Housing Bank (a medium-sized Jordanian bank) confirmed that the PA signed another loan for USD 50m on May 19. Jadallah told Econoff the loan was used to pay arrears to contractors and suppliers, who had been demonstrating in front of the Ministry of Finance, and noted that this amount covered around half of the debt. Bank of Palestine contacts said the PA had not asked for any additional loans as of May 27, and indicated the bank (a large Palestinian bank) was not likely to loan more if asked.

Beware of Greeks Bearing Gifts  
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15. (C) Jadallah confirmed receipt of USD 3m from Oman and USD 18m from the EC during May. He also told Econoffs that the

Greek Representative to the PA actually physically carried EURO 2m (USD 2.7m) in cash into the Ministry of Finance on May 19 in a suitcase. Jadallah, surprised by the appearance of the cash in his office, called multiple people into the room to witness the handover of the cash in a makeshift, but well documented, session. The funds were then promptly deposited in the PA's bank account. (Jadallah said that Prime Minister Fayyad was "outraged" by the Greek action, and wondered aloud if the Greeks did not have a checking account.)

16. (C) Ministry of Finance DG Hatem Yousef told Econoff on May 27 he expects the GOI to transfer approximately USD 50m in clearance revenues (after deductions) at the beginning of June, consistent with previous amounts. The World Bank grant of USD 40m is likely to be approved at the end of May, but World Bank contacts do not expect it will be transferred in time for the PA to pay salaries in early June.

Telecom windfall?  
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17. (C) A recent merger between the Palestinian telecommunication company "Paltel" and Jordanian mobile telecom company "Zain" is expected to provide upwards of USD 200m for the PA based on the extension of licenses, but the timeframe of that transfer remains uncertain. Ministry of Finance contacts note that the PA has already heavily borrowed against that amount.

There's Actually Some Cash in Gaza  
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18. (C) Governor al-Wazir told Econoff that, as of May 27, there was around NIS 200m in cash in Gaza bank vaults, a figure which makes al-Wazir "relatively" more comfortable. (For comparison's sake, the Gaza banks had around NIS 40m in all their branches when they shut down due to lack of cash in December 2008.) Al-Wazir attributes the increase in NIS liquidity to the weakening of the dollar. As a result, al-Wazir plans to request the transport of only NIS 50m into Gaza in the next few days. Separately, John Ging of UNRWA told Poloff on May 27 that UNRWA received permission from the GOI to transport USD 13.5m into Gaza to pay May salaries and suppliers.  
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